CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

The Morgan Lithograph Co

CLEVELAND, O.

OTIS & CO.
STATISTICAL LIBRARY
FEB 10 1930
NOT TO BE TAKEN AWAY

Annual Report to Stockholders

1929

THE ONLY COMMERCIAL & POSTER PRINTING HOUSE IN THE WORLD AWARDED THE MEDAL OF HONOR AND DIPLOMA OF MERIT AT WORLD'S FAIR AND PARIS EXPOSITION.

Subsidiaries:

Otis Lithograph Co.
Ritchey Lithographing Corp.
Acme Lithographing Co., Inc.
J. H. Tooker Printing Co., Inc.
Morgan Properties Co.

OFFICERS

P. J. Morgan---Chairman of the Board
Geo. W. Morgan--President & Treasurer
Vernon Charnley----Vice-Pres. & Sec'y
E. S. Gaylor, Jr.---------Vice-President
W. L. Schellentrager----Ass't Secretary

DIRECTORS

P. J. Morgan----------Cleveland
Geo. W. Morgan----------Cleveland
John Sherwin----------Cleveland
Vernon Charnley----------Cleveland
Ralph Hubbart----------Chicago
E. S. Gaylor, Jr.--------New York City

STOCK TRANSFER AGENTS

The Union Trust Co.
Cleveland, Ohio

Continental Illinois Bank
and Trust Company
Chicago, Ill.

REGISTRARS

Central National Bank
Cleveland, Ohio

Chicago Trust Co.
Chicago, Ill.

GENERAL OFFICES: Payne Avenue, Cleveland, Ohio

BRANCH OFFICES

New York City--------24 West 40th St.
Boston, Mass.-------- Park Square Bldg.
Pittsburgh, Pa.--------- Bessemer Bldg.
Toledo, Ohio--------Smith-Baker Bldg.
Dayton, Ohio---Third Nat'l Bank Bldg.
Cincinnati, Ohio--------- Enquirer Bldg.
Atlanta, Ga.----------Healey Bldg.
Detroit, Mich.--- General Motors Bldg.
Chicago, Ill.----------Tower Bldg.
St. Louis, Mo.---4527 Forest Park Blvd.
Kansas City, Mo.-------- Mutual Bldg.
San Francisco, Calif.----525 Market St.
Los Angeles, Calif.,----129 West 3rd St.

PLANTS

Payne Ave., Cleveland, O.

645-659 11th Ave., New York City

WAREHOUSES

East 30th Street,
Cleveland, Ohio

South Jane and William Sts.,
New York City

September 28th, 1929

To the Shareholders of
The Morgan Lithograph Company:

There is presented herewith the annual report of your Company for the year ended June 30, 1929, the financial and operating statements therein having been prepared by Messrs. Ernst & Ernst, Certified Public Accountants.

OPERATIONS

The operating profit for the year after the usual charges for interest, depreciation, maintenance, taxes, etc., amounted to $148,233.26, this profit, however, being exclusive of certain extraordinary charges, hereafter referred to, which aggregate $582,705.91, thus resulting in a net loss for the year of $434,472.65 and a deficit in the corporation's Earned Surplus account of $517,413.97 as explained in the accompanying statements.

MAY 24-32 OTIS HG

The decline in sales referred to in our last annual report, due to the advent of "Talking Movies," has continued through this fiscal year. This change from "Silent" to "Sound" pictures necessitated the equipment of theatres with devices to show these new pictures. This work has proceeded slowly, it being estimated that at the present time only about one-third of the theatres in this country are so equipped. The work is now proceeding much more rapidly and it is stated that by the end of 1929 about two-thirds of the theatres will have been so equipped.

Owing to the financial burden placed on the smaller exhibitors by reason of the cost of so equipping their theatres and to the difficulty in meeting expenses by showing "Silent" pictures only, it is estimated about fifteen per cent of the smaller or neighborhood theatres have been closed during the major part of your Company's fiscal year.

As you know, the larger portion of our sales is derived from the Motion Picture Industry, and during the past fiscal year the amount of business obtainable has not been sufficient to keep our plants and facilities fully employed. In order to reduce expenses, operations at Elmhurst, L. I., were discontinued; the plant closed and its equipment moved to Cleveland. The Otis Plant at Cleveland was closed as a manufacturing unit and is used as a warehouse, replacing rented quarters on which our lease expired on December 15, 1928. Everything practical is being done to reduce expenses and overhead during this period of transition.

In doing lithographic work for the Motion Picture Industry it is customary to manufacture a certain reasonable amount of posters dependent on the probable or expected life of the particular picture. A premature discontinuance or impairment of the marketability of a picture may thus render obsolete the posters carried for such picture. A year ago before the "Sound" picture had definitely established itself, we thought our reserve would be ample to cover all possible inventory losses, but the continued success of the "Sound" pictures has resulted in a considerable reduction in the sales possibility of "Silent" pictures which in turn has caused, during the current year, heavy write-downs of finished

inventory. These inventory losses, together with other losses indirectly arising from said transition and certain unusual charges resulted in extraordinary charges for the year of $582,705.91.

CAPITAL STRUCTURE

The capital structure of the Company at the close of its fiscal year on June 30, 1929 was exceedingly complicated, consisting of $500,000. of Stated Capital allocated to the 100,000 authorized and outstanding Common Shares without par value; of $1,402,696.25 of Capital Surplus, $313,130. of Unearned Surplus and a deficit of $517,413.97 in the Earned Surplus account.

Your directors have subsequently transferred as of said date to the Stated Capital of the corporation $704,283.97 of such Capital Surplus and all of the Unearned Surplus, thus making a total Stated Capital of $1,517,413.97.

Your directors recommend that the shareholders at the meeting on October 14, 1929, reduce the Stated Capital from $1,517,413.97 to $1,000,000.00 and that they authorize the transfer of the excess of $517,413.97 so created to the Earned Surplus account, thus eliminating the deficit therein. Such action on the part of the shareholders would result in a simplified capital structure as disclosed in the pro forma balance sheet prepared by our auditors and presented herewith.

Unless this contemplated adjustment is authorized by the shareholders, the usual cash dividend cannot be paid until subsequent earnings have eliminated the present deficit of $517,413.97 in the Earned Surplus account.

The authorization of such adjustment requires the affirmative vote of the holders of not less than two-thirds of the outstanding Common Shares of the Company, so that it is necessary, if such adjustment is to be made, to give your prompt attention to the notice and proxy enclosed herewith.

We believe we will see a gradual improvement in the demand for our product and are hopeful that this fiscal year will result in a far better showing than the last.

Respectfully submitted,

BY ORDER OF THE BOARD OF DIRECTORS,

George W. Morgan,
President.

PRO FORMA CONSOLIDATED BALANCE SHEET

THE MORGAN LITHOGRAPH COMPANY—CLEVELAND AND MORGAN PROPERTIES COMPANY—CLEVELAND

Based upon Balance Sheet as of the close of business June 30, 1929, adjusted to give effect to a proposed plan, not as yet approved by stockholders, for amending the capital structure of the Parent Company.

ASSETS

Current:			
Cash		$ 16,205.94	
U. S. Liberty Bonds		70,000.00	
Notes and Acceptances Receivable		11,683.70	
Accounts Receivable less Allowance for Doubtful		332,104.00	
Inventory (Certified by Management)	$ 910,661.99		
Less: Allowance for possible shrinkage	100,000.00	810,661.99	
Cash Surrender Value of Life Insurance	$ 156,840.38		
Less: Policy Loans	140,466.62	16,373.76	$1,257,029.39
Property at Elmhurst not used in Operations		$ 194,759.41	
Miscellaneous Receivables and Investments		131,236.87	325,996.28
Cash and Mortgage Receivable held by Bond Trustee			14,347.27
Leasehold—Unamortized Portion			7,286.00
Land		$ 663,106.00	
Buildings, Machinery, Equipment, etc. (Depreciated)		1,004,601.66	1,667,707.66
Good Will			1.00
Cost of Art Work on Lithograph Plates		$ 223,837.26	
Prepaid Expenses, etc.		58,136.88	281,974.14
			$3,554,341.74

LIABILITIES

Current:			
Notes Payable for Purchases		$ 85,504.41	
Accounts Payable		267,311.38	
Contract Payable		6,881.78	
Accrued Taxes, Interest, etc.		67,983.59	$ 427,681.16
First Mortgage 6% Serial Gold Bonds of Morgan Properties Company—Outstanding ($45,000.00 due August 15, 1929)			1,420,000.00
Reserve for Contingencies, etc.			8,248.30
Capital Stock:			
100,000 shares Common Stock of No Par Value issued and outstanding			
Stated Common Capital at proposed amount		$1,000,000.00	
Capital Surplus:			
As adjusted in accordance with proposed plan for amendment of capital structure		698,412.28	1,698,412.28
			$3,554,341.74

(Note A) The valuation of Land, located at Cleveland, in the amount of $663,106.00, is based upon independent appraisals during the years 1923 and 1926 and the sound value of the Buildings, Machinery and Equipment, etc., as of July 8, 1926, exceeded the depreciated book value at that date by approximately $700,000.00.

(Note B) The Morgan Lithograph Company was reported as being contingently liable at June 30, 1929 as endorser on discounted Notes and Acceptances, aggregating $37,799.20 and the Company is defendant in a lawsuit involving alleged damages of $12,600.00 under a certain employment contract. The Management anticipates a favorable decision to the Company on this suit.

WE HEREBY CERTIFY, that we have examined the books of account and record of THE MORGAN LITHOGRAPH COMPANY—CLEVELAND, and its Subsidiary, MORGAN PROPERTIES COMPANY—CLEVELAND, for the year ended June 30, 1929, and that, in our opinion, based upon the records examined and information obtained by us, the accompanying Pro Forma Balance Sheet sets forth the financial position of the combined Companies as of the date named, after giving effect to the proposed amendment of Capital Structure of the Parent Company, and the relative Operating Statement is correct.

September 23, 1929

Ernst & Ernst
Certified Public Accountants

CONSOLIDATED OPERATING STATEMENT

THE MORGAN LITHOGRAPH COMPANY—CLEVELAND AND MORGAN PROPERTIES COMPANY—CLEVELAND

For the year ended June 30, 1929

Profit from Operations, exclusive of inventory adjustments, but after deducting cost of sales, depreciation in the amount of $119,091.45, and selling, general and administrative expenses		$ 292,413.28
Less:		
Interest Expense	$ 96,792.13	
Other Deductions, less Other Income	47,387.89	144,180.02
Profit Exclusive of Extraordinary Charges		$ 148,233.26
Extraordinary Charges		
Inventory losses and adjustments including provision in the amount of $100,000.00 for possible shrinkage of inventory values at June 30, 1929	$ 416,798.02	
Losses on bad debts in excess of normal provision therefor	82,818.78	
Lawsuits, legal fees and expenses	43,464.55	
Sundry other charges	39,624.56	582,705.91
	Net Loss	*$ 434,472.65*

SURPLUS-*DEFICIT* ACCOUNTS

THE MORGAN LITHOGRAPH COMPANY—CLEVELAND AND MORGAN PROPERTIES COMPANY—CLEVELAND

June 30, 1929

	Capital Surplus	Unearned Surplus	Profit & Loss—Surplus	Combined
Balance June 30, 1928—as shown by report	$1,402,696.25	$414,500.46	$ 167,058.68	$1,984,255.39
Deductions				
Net loss for the year ended June 30, 1929 as set forth by Operating Statement	$	$	$ 434,472.65	$ 434,472.65
Cash Dividends paid on October 1, 1928 and January 1, 1929			250,000.00	250,000.00
Amount transferred to Reserve for Contingencies as authorized by Board of Directors and used to adjust the book value of certain assets acquired from predecessor Companies		101,370.46		101,370.46
Total Deductions	$	$101,370.46	$ 684,472.65	$ 785,843.11
Balance	$1,402,696.25	$313,130.00	*$ 517,413.97* Deficit	$1,198,412.28
Less: Amount transferred from Surplus Accounts to Stated Common Capital as of June 30, 1929 in accordance with subsequent action taken by Board of Directors	704,283.97	313,130.00		1,017,413.97
Balance as of June 30, 1929	$ 698,412.28	$	*$ 517,413.97* Deficit	$ 180,998.31
Proposed Amendment of Capital Structure				
Reduction of Stated Common Capital from $1,517,413.97 to $1,000,000.00 and application of such excess to the extinguishment of the Profit & Loss—Deficit			517,413.97	517,413.97
Balance as of June 30, 1929 as shown by Pro Forma Balance Sheet	$ 698,412.28	$	$	$ 698,412.28

A few of the larger national advertisers for whom The Morgan Lithograph Company made posters and display material during the past year:

Anchor Film Distributors, Inc.
David Belasco
William A. Brady
Chesterfield Motion Pictures Corp.
Columbia Pictures Corp.
James Cruze, Inc.
J. Chas. Davis Productions, Inc.
Educational Film Exchanges, Inc.
El Dorado Productions
Excellent Pictures Corp.
First National Pictures, Inc.
Charles Frohman
Morris Gest
Arthur Hammerstein
Hercules Film Productions, Inc.
Martin Johnson Expedition
Loew's, Inc.
Lumas Film Corp.
Metro-Goldwyn-Mayer Dist. Corp.
Paramount Famous Lasky Corp.
Pathe Exchange, Inc.
Publix Theatres Corp.
RKO Distributing Corp.
Rayart Pictures Corp.
Edgar Selwyn
Shubert Theatre Corp.
Stanley Co. of America
Sterling Pictures Distributing Corp.
Syndicate Pictures Corp.
Howard Thurston
Tiffany-Stahl Productions
UFA Films, Inc.
Universal Pictures Corp.
L. L. Weber
World Wide Pictures, Inc.
Acme White Lead & Color Works
Alabama-Georgia Syrup Co.
American Bosch Magneto Company
American Gypsum Company
Bassick Manufacturing Company
Black Flag Company
Blodgett-Beckley Company
The Borden Company
Brunswick Balke Collender Co.
California Fruit Growers Assn.
Capital City Products Co.
Central Shoe Company
Champion Spark Plug Company
Chrysler Motor Car Company
Cleveland Trust Company
Conde-Nast Publications
Conklin Pen Mfg. Company
C. G. Conn, Ltd.
Creamette Company
Dayton Rubber Mfg. Co.
DeSoto Motor Corporation
Diamond Electric Company
R. G. Dun
Thomas A. Edison, Inc.
Electric Vacuum Cleaner Co.
Erickson Company
Federal Motor Truck Company
J. A. Folger Coffee Company
Gabriel Snubbers Mfg. Co.
General Tire & Rubber Co.
Gold Dust Corporation
Goodyear Tire & Rubber Co.
Hamilton, Brown Shoe Co.
Hood Rubber Products Co., Inc.
The Hoover Company
Houde Engineering Company
Hupp Motor Car Company
Independent Oil & Gas Company
India Tire & Rubber Company
Irving Mfg. Company
Karavan Coffee Company
Geo. E. Keith Company
Kelvinator Corporation
Loose-Wiles Biscuit Co.
Lucky Tiger Remedy Co.
Mansfield Tire & Rubber Co.
Miller Rubber Company
Mohawk Rubber Company
Mosby Medicine Company
Packard Motor Car Co.
Peerless Motor Car Corp.
Pennsylvania Rubber Company
Peters Branch, Int'l. Shoe Co.
Phillips Petroleum Company
Pinkerton Tobacco Co.
Remington Typewriter Co.
Reymer & Bros., Inc.
Richman Brothers Company
Rit Products Company
Salada Tea Company
Shell Oil Co. of California
Shell Petroleum Co. of St. Louis
Sherwin-Williams Company
Smith Brothers, Inc.
Sparks-Withington Company
Standard Oil Co. of Indiana
Standard Oil Co. of New Jersey
Standard Oil Co. of Ohio
Sterling Products Company
Trico Products Corp.
United States Rubber Co.
Van Camp Packing Company
James Vernor Company
Webster Cigar Company
M. Werk Company
Westinghouse Elec. & Mfg. Co.
Willys-Overland, Inc.

As a Relish or Appetizer
Best Foods
FANNING'S
BREAD AND BUTTER
PICKLES
Best Foods
FANNING'S
BREAD-and-BUTTER
PICKLES
Fresh and spicy ~ with that old fashioned tang

See! Hear!
CARL LAEMMLE presents
UNIVERSAL'S MOVIETONE TRIUMPH
LAURA LA PLANTE
JOSEPH SCHILDKRAUT
OTIS HARLAN ALMA RUBENS
EMILY FITZROY and JANE LA VERNE
HELEN MORGAN, JULES BLEDSOE
and AUNT JEMIMA
SHOW BOAT
with The Musical Hits from
ZIEGFELD'S Production
A Harry Pollard Production

It made a
cigar smoker
out of me
R.G. DUN
CIGAR